

FISCAL UPDATE

February 7, 2005

Legislative Services Agency

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ADMINISTRATION AND REGULATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Administration and Regulation Appropriations Subcommittee met the week of January 31 and conducted the following business:

HAVA Funding



Governor's Recs.

Charlie Krogmeier, Secretary of State's Office, provided an update regarding Help America Vote Act (HAVA) funding, and the Office's operations.

Charlie Smithson, Ethics and Campaign Disclosure Board, provided an update regarding electronic filing of campaign reports.

Staff from the Fiscal Services Division of the Legislative Services Agency (LSA) reviewed the Governor's FY 2006 budget recommendations for the departments within the Administration and Regulation Appropriations Subcommittee.

- Department of Administrative Services – A decrease of \$1.4 million, which includes a decrease for the Distribution Account and increases for an Information Security Office, additional financial and support staff, and anticipated utilities costs.
- State Auditor – An increase of \$35,000 to perform additional audit work for non-billable agencies.
- Ethics and Campaign Disclosure Board – An increase of \$33,000.
- Department of Commerce – An increase of \$2.2 million to provide one-time start-up funding for the Maintenance of Critical Health Care Fund, to increase oversight of State-chartered banks and the insurance industry, and to ensure compliance with safety codes and rules.
- Governor's Office – An increase of \$280,000 for expenses and obligations of the Office and Terrace Hill Quarters.
- Governor's Office of Drug Control Policy – An increase of \$50,000 to replace lost federal funds for the Drug Endangered Children Program.
- Department of Human Rights – An increase of \$860,000, which includes funding for the new Status of Asian and Pacific Islanders Heritage Division.
- Department of Inspections and Appeals – An increase of \$752,000 for the Racing and Gaming Commission to improve oversight of the gaming industry.

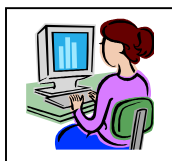
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- Department of Management – An increase of \$3.4 million to develop performance audits and to support reinvention efforts through the Innovations Grant Fund.
- Department of Revenue – An increase of \$1.6 million to retain tax compliance officers, to create an automated system for tracking tax credits, for responding to requests for information, and for information technology to address the federal over-billing concern.
- Secretary of State – An increase of \$223,000 to restore operating expenses.
- State Treasurer – An increase of \$29,000 for new DAS costs.

I/3 System



Director Mollie Anderson, Department of Administrative Services, provided an update on the history, budget, problems, and benefits of the State's new I/3 Accounting System. Sharon Sperry, I/3 Project Manager, and John Gillispie, Information Technology Enterprise (ITE), provided additional information. Director Anderson reported that information pertaining to the Department of Transportation (DOT) would be included due to adding Human Resources to the I/3. The Department agreed to provide the following:

- A copy of the I/3 complaint logs and the status of complaints.
- A copy of the most recent status report on how the I/3 System is functioning.

State Auditor

State Auditor, David Vaudt, reviewed the Governor's FY 2006 recommendation for the Office, as well as the Office's requests.

DAS Rec.

Director Mollie Anderson, DAS, reviewed the Governor's FY 2006 recommendation for the Department, and Department staff responded to questions.

IPERS

Director Donna Mueller, Iowa Public Employees' Retirement System (IPERS), reviewed the Governor's FY 2006 funding recommendation for the IPERS, the status of the IPERS Fund, and proposed changes to contribution rates.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=32>.

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AGRICULTURE AND NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Agriculture and Natural Resources Appropriations Subcommittee met the week of January 31 and conducted the following business:

State Parks

On February 1, Kevin Szdronski, Department of Natural Resources, discussed the programs and activities at State Parks.

Governor's Recs.

Deb Kozel, Fiscal Services Division, LSA, discussed the FY 2006 Governor's Recommendations. The Governor implemented a new budgeting process,

Purchasing Results, which identifies a number of Results Areas. The Department of Agriculture and Land Stewardship did not participate in the process. Recommendations include:

- Department of Agriculture and Land Stewardship – An increase of \$289,000, including increases for a Homeland Security Liaison and for the Chronic Wasting Disease Program.
- Department of Natural Resources (DNR) – An increase of \$5.6 million for regulation of animal livestock, water quality monitoring, the Geographic Information System (GIS) Program, the Pollution Prevention Program, and the Kaizen Efficiency Program.



Agriculture Overview

On February 2, Patty Judge, Secretary of Agriculture, discussed the Department Requests and the Governor's Recommendations for FY 2006.

Underground Tanks

On February 3, Scott Sheidel, Aon Risk Services, discussed activities regarding the closure of underground storage tanks.

More Information

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ECONOMIC DEVELOPMENT APPROPRIATIONS SUBCOMMITTEE MEETING

Subcommittee Meetings

The Economic Development Appropriations Subcommittee met the week of January 31 and conducted the following business:

Purchasing Results



Jim Chrisinger, Department of Management (DOM), presented the history and process of Purchasing Results. Purchasing Results is a zero-based budget process whereby Buying Teams made up of staff from the DOM and the Governor's Office issue Requests for Results (RFRs) to State agencies who are the Sellers. The Buying Teams are each given a specified allocation of revenues. The Sellers then prepare offers that respond or meet the requirements of the RFRs. The Buying Teams then negotiate better offers and prioritize the offers. A platform is drawn where the allocated resources end. Funding is only recommended for proprieties listed above the platform. The Governor and the Legislature, under this budgeting process, ultimately purchase the offers or services offers on behalf of Iowans.

Workforce Development

Director Rich Running, Workforce Development, gave an overview of the Department's programs and activities. Mike Trier, Workers' Compensation Commissioner, and Byron Orton, Labor Services Commissioner, gave an overview of these Divisions. Some of the programs and activities administered by the Department include:

- Workforce Development Centers/Employment Services
- Workers' Compensation
- Unemployment Insurance
- Promise Jobs

Governor's Recs.



- Workforce Investment Act

Staff from the Fiscal Services Division of the LSA reviewed the FY 2006 Department requests and the Governor's recommendations. The Departments within the Economic Development Appropriations Subcommittee requested status quo budgets. The Governor is recommending an increase of \$13.7 million compared to estimated FY 2005 for these Departments and the Regents Economic Development Programs. Significant changes include:

- Economic Development – An increase of \$9.7 million for the Business Development Division to provide financial and technical assistance, business development, and regional economic development strategies.
- Economic Development – A decrease of \$1.7 million for marketing and promotion of Iowa's tourism industry.
- Iowa Finance Authority – A new General Fund appropriation of \$4.5 million for the State Housing Trust Fund.
- Iowa Finance Authority – A new General Fund appropriation of \$700,000 for a rent subsidy program.
- Iowa Workforce Development – An increase of \$557,000 for Occupational Health and Safety Administration (OSHA) and Workers' Compensation.

More information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=34>

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EDUCATION APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings



The Education Appropriations Subcommittee met the week of January 31 and received the following presentations:

- Governor's Recommendation for FY 2006 – The LSA staff reviewed a spreadsheet with explanations of the Governor's recommended increases for education for FY 2006. Staff from the Department of Management responded to questions regarding the Purchasing Results budget process.
- Student Achievement and Teacher Quality – Director Judy Jeffrey, Department of Education, provided updated information to the Subcommittee.
- Early Childhood Programs – Information was presented by Shanell Wagler, Community Empowerment Facilitator; Penny Milburn, Shared Visions Preschool Programs; and Dianne Halverson, President, Head Start Association.

Tentative Schedule

The tentative schedule for the week of February 7 is as follows:

- February 8 – Steve Wooderson, Administrator, Division of Vocational Rehabilitation Services; Allen Harris, Director, Department for the Blind
- February 9 – Larry Isaak, Midwest Higher Education Compact

**More Information**

- February 10 – John Hartung, Executive Director, Iowa Association of Independent Colleges and Universities

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=35>

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HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Health and Human Services Appropriations Subcommittee met the week of January 31 and conducted the following business:

Health Care

Dr. Alan Dobson presented on the North Carolina Community Care Program. In addition, Director Mary Hansen, Department of Public Health, provided information on Chronic Disease Management.

DHS Issues

Presentations were provided by Anita Smith, Department of Human Services (DHS), on the Healthy and Well Kids in Iowa (*hawk-i*) Program, and Director Kevin Concannon, DHS, provided information on the Department's proposal to the federal Centers for Medicare and Medicaid (CMS) regarding the potential elimination of Iowa's Intergovernmental Transfers (IGTs). Jennifer Vermeer, LSA, provided information on Medicaid inflation and provider reimbursement rates.

Child Welfare

Presentations were provided by Mary Nelson, DHS, on Child Welfare Programs, and Wendy Rickman, DHS, provided an update on the Child Welfare Redesign. Kim Schmett, Coalition for Family and Children Services, provided the Coalition's concerns with regard to funding of Child Welfare Programs and the Redesign.

Tentative Schedule

The tentative schedule for the week of February 7 is as follows:

- Tuesday, February 8 – Purchasing Results Budget Process - Department of Management
- Wednesday, February 9 – Mental Health: Adult and Child Redesign
- Thursday, February 10 – Medical Assistance Crisis Intervention Team Report, Medicare Part D, Senior Living Trust Fund

More Information

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JUSTICE SYSTEM APPROPRIATIONS SUBCOMMITTEE MEETINGS

Subcommittee Meetings

The Justice System Appropriations Subcommittee met the week of January 31 and received the following:



- Information from the Legislative Services Agency regarding the FY 2006 Governor's Recommendations.
- A presentation from Director Gary Maynard, Department of Corrections, regarding inmate suicides and correctional staffing.
- A presentation by Colonel Garrison, Iowa State Patrol, regarding the asset forfeiture fund, methamphetamine training, and vehicle depreciation.

More Information

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**TRANSPORTATION, INFRASTRUCTURE, AND CAPITALS
APPROPRIATIONS SUBCOMMITTEE MEETINGS**

Subcommittee Meetings

The Transportation, Infrastructure, and Capitals Appropriations Subcommittee met the week of January 31 and conducted the following business:

Governor's Recs.

Staff from the Fiscal Services Division of the LSA presented the FY 2006 Governor's recommendations for the Department of Transportation (DOT) and State agencies' infrastructure-related projects. The Governor is recommending \$294.6 million for the DOT and \$139.8 million for infrastructure and capital projects.

Dept. of Transportation



Staff from the Office of Aviation, DOT, presented background information on Iowa's 111 publicly owned airports, including safety, security, and infrastructure needs compared to the current level of funding.

Staff from the Office of Rail, DOT, presented information on Iowa's rail system, as well as State and federal programs that provide funding support for the rail industry.

More Information

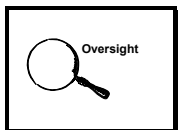
Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=40>.

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GOVERNMENT OVERSIGHT COMMITTEE MEETINGS

Committee Meetings

The Government Oversight Committee met the week of January 31 and heard presentations and discussed the following:



Commissioner Kevin Techau, Department of Public Safety (DPS), discussed recent articles and editorials published in the *Des Moines Register* relating to a complaint from *Register* staff about information requested from the DPS. Forms the DPS uses can contain confidential information that needs to be redacted prior to providing the remaining information. The DPS charges a fee for having a staff person prepare the information. An example given by the DPS was a cost of \$29 for slightly more than 100 pages of information.

A formal complaint has been filed against the DPS and the Citizen's Aid Ombudsman is looking into the situation and will report back to the Committee in 30 to 45 days. The issue will also be on the agenda of the Ethics and Campaign Disclosure Board on February 13 to determine if the Board will investigate the situation.



Bill Wohlers, President, Iowa Operators of Music and Amusement, read a statement and responded to questions. Mr. Wohlers owns and operates a distribution company and explained how his industry compares and contrasts from the Lottery and gaming industry. He also explained that his relationship with both the Department of Inspections and Appeals and the DPS has been positive. The Committee will continue to monitor these operations.

Director Mollie Anderson, Department of Administrative Services, responded to questions regarding the transfer of State vehicles to the new parking garage north of the Historical Building from various parking lots in the Capitol Complex. The Chairpersons requested that the DAS return at the next meeting with additional information about the strategy for this transfer.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=41>.

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HOUSE WAYS AND MEANS COMMITTEE PASSES CRIME LABORATORY SURCHARGE BILL - HF 123

Ways and Means Bill



House File 123 (Crime Laboratory Surcharge Bill) passed the House Ways and Means Committee on February 2.

The Bill increases the criminal penalty surcharge from 30.0% to 32.0% of any fine or forfeiture imposed for a violation of any State law or city or county ordinance, except parking violations. The Bill also creates a non-reversionary Criminalistics Laboratory Fund.

More Information

Additional information is available from the LSA upon request.

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WAYS AND MEANS BILLS

HF 102

House File 102 (Business Depreciation Amendment Bill) passed the House on January 25 and was approved by the Senate Ways and Means Committee on February 2.



The Bill allows taxpayers an additional method to take advantage of depreciation allowances enacted in HF 2581 (2004 Special Session Bonus Depreciation and Expensing Act). House File 102 allows taxpayers to include the additional depreciation as part of their tax return for the next tax year. Under HF 2581, the taxpayer was restricted to filing amended returns in order to receive the benefit.

In determining the fiscal impact of HF 2581, it was assumed a percentage of eligible taxpayers would not file amended returns due to the expense of preparing and filing those returns. House File 102 should make it possible for those taxpayers to benefit from the depreciation changes. The revenue reduction associated with the depreciation and expensing changes, therefore, is projected to be somewhat higher than under HF 2581. House File 2581 was projected to reduce General Fund revenue by \$87.2 million over two fiscal years (FY 2005 and FY 2006). House File 102 is projected to further reduce General Fund revenue by the following amounts:

- FY 2005 – \$2.25 million
- FY 2006 – \$1.25 million

HSB 35

The House Ways and Means Committee approved HSB 35 on January 31. The Bill is now HF 186 (Internal Revenue Code Update Bill), and updates Iowa tax law references to recent changes made by Congress to the federal Internal Revenue Code. The fiscal impact of the Bill is currently being researched.

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LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

Federal Action



On January 31, the federal Department of Health and Human Services released the second \$100.0 million in FY 2005 Low-Income Home Energy Assistance Program (LIHEAP) emergency funds. The funds add to basic LIHEAP allotments in providing states with assistance to low-income households facing increases in heating fuel prices and colder-than-normal weather. States may use these funds for any purpose authorized under the LIHEAP, including heating assistance, crisis assistance, weatherization, and administrative costs.

Congress authorized \$300.0 million in LIHEAP emergency funds in the FY 2005 Omnibus Appropriations Act, offset by an 0.8% reduction. This is triple the amount of emergency funds provided in FY 2004. Iowa's original allotment for FY 2005 was \$34.6 million and the supplemental allotments were \$3.4 million, totaling \$38.0 million to provide assistance to an estimated 87,000 households. For FY 2004, the funding for Iowa was \$33.5 million and provided assistance to 82,400 households.



In Iowa, the LIHEAP funds are administered by the Bureau of Energy Assistance, Division of Community Action Agencies, Department of Human Rights. Applications are accepted on a first-come, first-served basis at local community action agencies from November 1 through April 15 (October 1 for households with elderly/disabled member).

The Administration and Regulation Appropriations Subcommittee will hear testimony regarding the LIHEAP at the February 16 meeting.

More Information

Copies of agendas, minutes, and selected handouts distributed to Subcommittee members are available on the General Assembly web site at: <http://www3.legis.state.ia.us/ga/committee.do?id=32>.

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FEBRUARY BOARD OF REGENTS MEETING

The Board of Regents met on February 2 and 3 at the University of Iowa in Iowa City. Significant agenda items included:

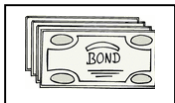
FY 2006 Tuition



The Board gave final approval to the proposed tuition and fees for FY 2006. Changes from the previous report included:

- The University of Iowa (SUI) proposed increased tuition for MBA full-time resident students of \$1,470 (14.0%) and \$2,698 (14.0%) for nonresidents.
- The University of Northern Iowa (UNI) proposed an increase in the health fee of \$20 (16.1%), from \$124 to \$144 and an increase of \$32 (16.8%) in the student services fee, from \$190 to \$222.

Bonding



The Board received a report on the cost of bond issuance. The actual cost of the four bond sales that occurred from June through November 2004 was \$298,000. The Board also considered the following bond refunding options as recommended by Springstead, the Board's financial advisor:

- \$16.0 million of academic revenue bonds for the SUI. The estimated net savings from refunding would be approximately \$1.8 million. This refunding would recall and replace bonds of \$9.1 million originally issued in 1995 to renovate Schaeffer Hall and bonds of \$10.8 million issued in 1996 for constructing, equipping, and improving SUI laboratories, and to renovate the International Center.
- \$5.5 million of academic revenue bonds for UNI. The estimated net savings from refunding would be approximately \$757,000. This refunding would recall and replace bonds of \$5.8 million originally issued in 1995 to finance a portion of the Wellness/Recreation Center, Price Lab Field House, and to correct fire safety and deferred maintenance items at UNI.

Stadium Renovation

The Board received an update including a revision to the financing plan for renovating Kinnick Stadium. The proposed plan includes the issuance of \$120.0 million of bonds for the renovation.

Facilities Governance

The Board received a new Report that replaces the previous governance reports on energy conservation, fire and environmental safety, and deferred maintenance.

Committee Reports

The Board received the following committee reports:



- Audit and Compliance – The Committee reviewed several reports, including a State audit report on accounts receivable at the SUI, bond audit reports for all three universities, SUI Hospitals and Clinics (SUIHC) audit report, and various internal audit reports.
- Economic Development – The Committee reviewed a status report on the Biosciences Alliance, Grow Iowa Values Fund projects, a status report on the Biotechnology Risk Assessment Project, and patent policies.
- SUIHC Executive Board – The Committee received a report from the Director, reviewed an external assessment of the strategic plan development process, reviewed updated financial information on operations, programs, and finances, and reviewed the 10-year plan for facilities and equipment. For the period July through November 2004, the SUIHC had revenues of \$278.3 million and expenses of \$270.8 million, for a net margin (profit) of \$7.5 million.

Next Meeting

The next meeting is scheduled for March 14-15 at Iowa State University. Additional information regarding the Board meeting, including the full text of agenda docket memos, may be accessed at the Board's web site at: <http://www2.state.ia.us/regents/>.

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<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>